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11 Kentucky insurance agents charged with fraud

Frankfort, Ky. - Secretary Ronald B. McCloud, Public Protection and Regulation Cabinet, and Insurance Commissioner George Nichols III announced criminal charges today against 11 insurance agents accused of stealing more than \$380,000 from their clients.

The six-month investigation by the Kentucky Department of Insurance concluded today with assistance from local law enforcement, Nichols said. Insurance Fraud Investigation Division director J. Joseph Cohen led "Operation May Flowers."

Among those charged:

- Robert Aloysius Hellmann, 45, of Louisville, faces new charges today of stealing at least \$165,000 worth of premiums and annuities. Hellmann was convicted about a year ago for a separate insurance case and is currently in jail for that crime.
- Jeana Sparks, 52, of Lexington, was arrested yesterday afternoon and booked at the Fayette County Jail, accused of stealing more than \$90,000 in premiums. The department revoked her license on Feb. 24, 1999, fined her \$22,000, and sought full restitution related to the department's initial findings in this case.
- K. Michael Short, 50, of Nicholasville, is charged with victimizing several horse farm owners in 1998 by keeping at least \$65,000 in premiums that his clients paid to insure their horses. He was served with a criminal summons on felony charges.
- William C. Kirk, 33, of London, Ky., was convicted of separate bank fraud allegations and remains a fugitive. He now faces new charges today of creating bogus companies while an insurance agent and fraudulently obtaining commissions and other insurance company benefits worth more than \$43,000.

In addition to these cases, consumers also were victimized in Corbin, Frankfort, Murray, Independence and Prospect.

"Our Cabinet's mission is to protect consumers from the kind of fraud that was being perpetrated by these agents," said Secretary McCloud. "The Department of Insurance has done an extraordinary job of closing in on these agents who have taken shameful advantage of many Kentuckians, and I'm very proud of their work."

"Many of us depend on our insurance agent for critical decisions protecting our homes and cars and even retirement investments," Commissioner Nichols said. "We are doing everything in our power to investigate, arrest and prosecute anyone who violates this trust."

"I am especially offended by the seriousness of these cases. You have an agent whom we allege deliberately created bogus companies to bilk money out of the system and is a fugitive on bank fraud charges," Nichols said. "The dollars involved in these alleged frauds are among the worst we have seen."

Nichols credited insurance companies for protecting the victims from losses by assuring they continued to have coverage and by making good on the money taken by the agents.

Cohen, who directed the investigation, said this is the second major series of arrests in the past two months. On April 1, as part of "Operation April Showers," Cohen and his fraud investigators charged 14 people suspected of illegally receiving more than \$250,000 in workers' compensation benefits and the alleged frauds could have exceeded \$650,000 if undetected.

"I want to emphasize that the vast majority of our insurance agents are honest professionals who are just as serious about weeding out the bad apples," Nichols said. He emphasized that today's criminal allegations involved 11 agents, in a commonwealth with 59,443 agents licensed to sell insurance. In 1997, the department's Insurance Fraud Investigation Division convicted 25 people for insurance fraud, including 11 agents. In 1998, 18 persons were convicted, including five agents.

The department warns consumers to be suspicious of any agent who emphasizes cash transactions or fails to provide a policyholder with details of their insurance coverage. If consumers have any doubts, they should double-check an agent's work by calling the insurance company to verify their coverage. They can also contact the Kentucky Department of Insurance's consumer hotline at 800-595-6053 if they have questions or want to report problems.

Cohen also serves as national chairman on the anti-fraud committee of the National Association of Insurance Commissioners. Nichols is vice president of NAIC.

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For Immediate Release

Summary of Criminal Allegations

The Insurance Fraud Investigation Division concluded a six-month investigation today, announcing felony charges against the following insurance agents. The agent roundup concluded this morning as part of Operation May Flowers. Total alleged fraud: More than \$380,000.

1. Robert Aloysius Hellmann, 45, of Louisville. The former life insurance agent is charged with stealing at least \$165,000 worth of premiums and annuities. The frauds occurred between April 1991 and June 1997. In addition to today's criminal charges, an investigation continues on further allegations. Hellmann is already in jail and was convicted about a year ago for a separate insurance fraud of approximately \$50,000. His license was revoked in January 1998 as a result of that criminal case. He now faces today's additional felony charges. Alleged fraud: At least \$165,000.
2. Jeana Sparks, 52, of Lexington. Former insurance agent Sparks is charged with stealing insurance premiums of more than \$90,000. The violations occurred from July 1997 through August 1998. The department revoked her license on Feb. 24, 1999, fined her \$22,000, and sought full restitution of more than \$90,000. She was arrested Tuesday afternoon and booked at the Fayette County Jail. Alleged fraud: More than \$90,000.
3. K. Michael Short, 50, of Nicholasville. This insurance agent is charged with victimizing several horse farm owners in 1998 by stealing more than \$65,000 in premiums that his clients paid to insure their horses. Separate administrative charges are pending. The victims have asked that their names not be released. Alleged fraud: More than \$65,000.
4. William C. Kirk, 33, of London, Ky. The former insurance agent is suspected of creating bogus companies and fraudulently obtaining commissions and other benefits from an insurance company from April 1996 to February 1997. Kirk remains a fugitive wanted for arrest to serve his sentence on separate charges of bank fraud and previous escape convictions. The department terminated his license in 1997. Alleged fraud: More than \$40,000.
5. Marion Chubb, 56, of Lexington. This former agent is accused of submitting false claims, purportedly from her policyholders, and then asking the claim checks to be sent to her. She also is accused of forging policyholders' names on the checks. The incidents occurred between Nov. 18, 1996, and Dec. 12, 1997. Alleged fraud: More than \$11,000.
6. Terry Bruce Fredricks, 48, of London, Ky. Former insurance agent Fredricks allegedly worked in partnership with Kirk and also is charged with submitting bogus insurance applications to an insurance company to fraudulently obtain commissions and other agent incentives. The department terminated his license in 1997. Alleged fraud: More than \$5,000.
7. Melinda G. Turner, 30, of Frankfort. Between February and July 1997, this former agent is suspected of stealing more than \$1,200 from clients. Her insurance license was canceled May 8, 1998. Alleged fraud: More than \$1,200.

8. Tony A. Maxey, 37, of Corbin. Between July and December 1996, this agent allegedly stole insurance premiums of more than \$1,600 and converted the money to his personal use. The department revoked his insurance license on Sept. 3, 1996. Alleged fraud: More than: \$1,600.

9. Gregory Thomas Smith, 40, of Prospect (Jefferson County). On Aug. 26, 1998, Smith deposited a client's cash surrender check of \$1,006 into his personal bank account and is alleged to have failed to make the required disposition of the funds. Separate administrative charges are pending. Alleged fraud: More than \$1,000.

10. Christopher Bass, age 24 on May 19, of Independence. This former life insurance agent is suspected of collecting \$678 in premiums from 17 victims without turning the money in and then submitting a false application. The insurance company canceled his insurance appointment as an agent in early 1998. Alleged fraud: More than \$600.

11. Ronald J. "Ronnie" Ross, 50, of Murray. Ross is accused of stealing a client's auto insurance premium of \$322, a felony. This offense occurred on Jan. 2, 1998, when Ross was no longer an agent because the Department of Insurance had revoked his license for previous violations on Nov. 12, 1997. According to the department's public administrative order, the revocation came after policyholders sued him for having \$9,500 in unpaid insurance premiums and when insurance carriers reported multiple problems. Alleged fraud: More than \$300, a felony.